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SHIPPERS' COSTS OF ASSEMBLING AND DISTRIBUTING MIDSOUTH COTTON, BY TYPES, MARKET TRADING AREAS, AND SALES OUTLETS, SEASON 1964-65 1/

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Purpose, methods, and limitations of study.--The study covered in part by this report was largely designed to provide current detailed estimates of the major costs of marketing American lint cotton. These and the related data are needed for measuring changes in marketing costs, to help find ways of increasing cotton marketing efficiencies, and for evaluating existing and proposed policies and programs affecting cotton. Information was obtained mainly from a sample of the cotton shipping firms and marketing associations located in the 15 markets designated for establishing official price quotations for U.S. cotton. Within reasonable limits, the resulting cost estimates reflect variations in the kind, amount, rates, and efficiencies of the services performed by and at the request of shippers in assembling cotton, in each of 4 regions and 13 market trading areas of the Cotton Belt, and delivering it to customers throughout the world.

This summary includes estimates for cotton purchased in each of 3 trading areas within the Midsouth region and shipped to 7 specified outlets. (see footnote 1 below and table on reverse side of this sheet). These estimates are based on data from shippers located in the Greenwood, Little Rock, Memphis, and New Orleans markets.

Costs for all Midsouth areas combined.--The weighted average total cost per bale to shippers of assembling and distributing Midsouth cotton to all outlets combined during the 1964-65 season was $13.92 (see table). About 42 percent of this total was accounted for by transportation and related costs. The other costs and their approximate percentage of the total were: Carrying costs, 16 percent; overhead, 11 percent; compression, 10 percent; selling, 7 percent; buying and local delivery, 5 percent; warehouse services other than storage, 5 percent; and miscellaneous, 4 percent.

Costs by trading areas and outlets.--The market trading area with the lowest average total cost per bale--$13.57--was for the Memphis area. Similar estimates for the Greenwood and Little Rock-New Orleans areas were $14.14 and $15.13, respectively. The distribution of each of these totals by types of cost is very similar to the distribution indicated above for the 3 trading areas combined.

Of the 7 sales outlets reported, shippers total costs per bale ranged from a low of about $10.71 for sales from the Greenwood area to Alabama-Georgia mills to a high of $29.93 for sales from the Little Rock-New Orleans area to India. Total costs for the 2 major domestic outlets of Group 201 mills and Alabama-Georgia mills ranged from $11.39 to $12.31 and $10.71 to $11.61, respectively. Similar costs for sales to Europe and India, the two foreign outlets reported, ranged from $21.12 to $23.03 and $29.24 to $29.93, respectively. The most important variations in costs between outlets or between areas of purchase were in transportation and related services. However, there were appreciable differences either by areas of purchase or by market outlets in compression, selling, and overhead.

1/ The Midsouth region as used in this report includes Arkansas, Louisiana, Mississippi, Missouri, and Tennessee. The market trading areas within the region correspond with the areas used in establishing price quotations in the 4 designated markets in the region, with the Little Rock and New Orleans areas combined.

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Shippers' average cost per bale of assembling and distributing Midsouth cotton, by trading areas and outlets season 1964-65 1/

Trading area where purchased / Outlet to which shipped	Buying and local delivery 2/	Carrying costs and exchange 3/	Warehouse services other than storage 4/	Compression, patches, & marks 5/	Transp. and related services 6/	Selling 7/	Miscellaneous 8/	Overhead 9/	Total 10/
	Dollars								
Greenwood area:									
Group 201 mills	0.59	2.62	0.64	1.22	4.12	0.73	0.55	0.92	11.39
Ala. and Ga. mills	.80	1.71	.66	1.22	3.69	.85	.34	1.44	10.71
Group 200 mills	.68	2.33	.87	1.21	4.50	.88	.59	1.39	12.45
New England mills	.85	2.30	.64	1.21	5.72	.97	.62	1.72	14.03
Other domestic 11/	--	--	--	--	--	--	--	--	--
Total domestic	.66	2.36	.67	1.22	4.13	.78	.51	1.13	11.46
Europe	.72	1.72	.74	2.14	12.11	1.53	.46	1.70	21.12
Japan 11/	--	--	--	--	--	--	--	--	--
India	.83	1.80	.92	2.33	18.76	1.60	.73	2.27	29.24
Other foreign	.75	1.78	.88	2.38	10.54	1.38	.30	2.00	20.01
Total foreign	.74	1.76	.84	2.29	11.71	1.46	.42	1.93	21.15
All outlets	.68	2.20	.72	1.52	6.21	.97	.49	1.35	14.14
Memphis area:									
Group 201 mills	.62	2.15	.71	1.21	4.17	.77	.55	1.42	11.60
Ala. and Ga. mills	.79	2.11	.73	1.21	3.61	.85	.52	1.69	11.51
Group 200 mills	.58	2.42	.98	1.21	4.54	.85	.48	1.30	12.36
New England mills	.80	2.18	.61	1.21	5.72	.86	.36	1.68	13.42
Other domestic 11/	--	--	--	--	--	--	--	--	--
Total domestic	.66	2.19	.76	1.21	4.15	.80	.52	1.46	11.75
Europe	.62	2.01	1.01	2.24	12.16	1.25	.51	1.92	21.72
Japan 11/	--	--	--	--	--	--	--	--	--
India	.89	1.84	1.00	2.31	18.75	1.64	.91	2.42	29.76
Other foreign	.78	1.85	.88	2.36	10.37	1.34	.31	2.19	20.08
Total foreign	.74	1.91	.94	2.30	11.73	1.42	.47	2.13	21.64
All outlets	.68	2.13	.79	1.41	5.54	.92	.52	1.58	13.57
Little Rock-New Orleans area:									
Group 201 mills	.82	2.52	.46	1.22	4.56	.81	.34	1.58	12.31
Ala. and Ga. mills	.93	1.72	.57	1.20	4.03	.86	.32	1.98	11.61
Group 200 mills	.79	2.28	.75	1.20	4.94	.94	.31	1.95	13.16
New England mills	.89	1.66	.67	1.20	5.97	.90	.31	2.15	13.75
Other domestic 11/	--	--	--	--	--	--	--	--	--
Total domestic	.85	2.24	.53	1.21	4.52	.84	.33	1.75	12.27
Europe	.84	2.49	.72	2.06	12.07	1.56	.93	2.36	23.03
Japan 11/	--	--	--	--	--	--	--	--	--
India	.99	1.69	.89	1.90	18.80	1.75	1.43	2.48	29.93
Other foreign	.96	1.52	.72	1.59	12.10	1.41	.82	1.88	21.00
Total foreign	.91	2.07	.76	1.91	13.00	1.57	1.04	2.74	24.00
All outlets	.87	2.19	.59	1.39	6.62	1.03	.51	1.89	15.13
Midsouth region:									
Group 201 mills	.63	2.34	.66	1.21	4.19	.76	.53	1.27	11.59
Ala. and Ga. mills	.81	1.92	.69	1.21	3.68	.85	.44	1.65	10.25
Group 200 mills	.62	2.38	.93	1.21	4.55	.86	.50	1.37	12.42
New England mills	.83	2.13	.63	1.20	5.76	.90	.44	1.77	13.66
Other domestic 11/	--	--	--	--	--	--	--	--	--
Total domestic	.68	2.24	.71	1.21	4.18	.80	.50	1.39	11.71
Europe	.70	1.98	.85	2.17	12.12	1.50	.57	1.91	21.80
Japan 11/	--	--	--	--	--	--	--	--	--
India	.89	1.79	.95	2.23	18.76	1.64	.95	2.38	29.59
Other foreign	.78	1.79	.87	2.32	10.54	1.36	.34	2.08	20.08
Total foreign	.77	1.87	.88	2.24	11.88	1.46	.53	2.07	21.70
All outlets	.70	2.16	.74	1.44	5.89	.95	.50	1.54	13.92

1/ See reverse side for procedures and data limitations. 2/ Commissions or comparable direct buying costs, and local delivering expenses. 3/ Includes insured storage, interest, and exchange. 4/ Receiving and outhandling and, for some bales, reweighing, resampling and other special services. 5/ Patches and marks in overseas shipments. 6/ Overseas shipments include marine insurance and, for some areas, wharfage, forwarding, and controlling. 7/ Commissions or comparable direct selling costs. 8/ Rejections and quality adjustments on sales, bad debts, and fiber test fees. 9/ Salaries and bonuses not covered in buying and selling, office rent, property taxes, insurance, depreciation, communication, advertising, donations, social security taxes, and professional fees. 10/ Excludes operating margins. 11/ Insufficient information to permit separate estimates.